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National Petroleum News

Oil Companies Raise Stakes In Auto Care

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

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Editor's Viewpoint

A few years ago, a sharp industry veteran speculated that if you wanted to get ahead of the pack and reap some real windfall profits, the thing to do was to open a string of strategically placed full service stations offering automotive maintenance and repair. He said that since jobbers had led the way into self service pumpers and C-stores and now had the majors fully committed to them, it was time to reverse field and offer motorists full facility outlets, which had become relatively scarce compared to what was available in the '60s and early '70s.

It was hard to tell if the remark was serious or tongue-in-cheek. Probably a little of both. Most jobbers aren't, for some good reasons, interested in car service. But other parties are and may well substantiate the observation of that industry pro. As this month's cover feature points out, things are happening in the automotive service market.

For more than a decade, the number of full service outlets providing car care dropped steadily, leaving a void in the market—a \$100-billion market. Part of that void was filled by former service station dealers who pulled out of gasoline marketing and opened auto repair shops. Mass merchandisers got into the act and car dealerships also picked up some of the slack (although you have to wonder how; if you've tried to get your car serviced at a dealership lately, you know its easier to get an audience with the Pope). At the same time, remaining full facility stations were swamped with auto service business.

Tire companies, however, were the most notable participants. After years of watching profits on tire sales evaporate, they made a strong commitment to auto service and in a relatively short time carved out a large chunk of the market.

In recent years, the major oil companies have shown a renewed interest in that market. They'd never really abandoned car care; neglected would be more accurate. That attitude began changing back in 1984 when, among other things, industry figures showed motorists were spending more money servicing their cars than fueling them. The interest—and investment—by the majors in the car care market continued to mount. This year they've made some real moves to get a bigger piece of it and a knock-down-drag-out battle is shaping up. Goodyear and Firestone, the acknowledged leaders in auto service chains, have also invested heavily to establish themselves in automotive service—and not just in advertising, but in training qualified mechanics and giving them sophisticated equipment to work with. They aren't likely to roll over and play dead.

—Frank M. Victoria

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NATIONAL PETROLEUM NEWS

14 Regional News

- 14 **West**
Arco expands in non-gasoline C-stores
- 15 **Midwest**
Marketers brace for spread of Stage II regs
- 17 **East**
Tenneco sale presages marketplace changes
- 18 **South**
Majors, USTs—and indians—worry Oklahoma jobbers

23 General News

- 23 Where is Texaco headed?
- 23 Four majors face \$1.2-billion ethanol suit
- 24 Petromark raises tank insurance rates
- 24 Model state tank trust fund adopted
- 25 Stations, C-stores top risk occupations
- 25 C-store study shows major growth in 1987
- 26 Shell denies reorganization reports
- 26 Improved financial outlook for PMEF
- 28 Washington: Repeal of windfall tax unlikely

30 Features

- 30 **Cover Report**
Auto service making comeback in the oil business
- 42 **Convenience Stores**
Circle K shooting for the top spot
- 50 **Refining**
Low refinery count no threat to supply
- 62 **O&E Management—Howard Upton**
How we have changed
- 63 **Tax Corner—Irring Blackman**
Build your house with company cash
- 64 **The Way I See It—Wilfred H. Hall**
Preparing for a company sale
- 65 **Marketing Management—Paul Forbes**
Designing successful jobs
- 66 **Legal Tips—Sam Borenkind**
Post marks critical in tax filings

Departments

- | | |
|---------------------|----------------------|
| 69 About Oil People | 54 Coming Meetings |
| 9 Ahead of the News | 3 Editor's Viewpoint |
| 57 Briefs | 12 Marketplace |
| 11 Catching Up | 60 Product Showcase |
| 68 Classified | 12 Trends |



Motorists now spend more money on fixing their cars than fueling them. Which explains in part why oil companies are getting serious again about automotive service. **Page 30**



Circle K Corp., the Sun Belt C-store kingpin, is busting out all over with its simple but aggressive "buy, build or refurbish" philosophy. With close to 5,000 stores, Circle K is gaining ground fast on market leaders Southland and Cumberland Farms. **Page 42**



Despite the fact that the operable domestic refinery count is the lowest on record, the refining industry is in good shape with improved plant efficiencies and a continued improvement in utilization rates. **Page 50**

● TRENDS

The Zebra Equation: What Kind Of Animal Can It Be?

One of these days, the gasoline and C-store industries are going to reach the point where their population statistics and operational volumes counterbalance each other. Then the \$64 question that arises will be akin to the oldie about the zebra: Is the animal that stands out there white with black stripes? Or is it the other way 'round, black with white stripes?

In other words, is the survivor of this statistical collision going to be a retail gasoline business that sells groceries on the side? Or is it going to be a grocery business that sells gasoline as a sideline product?

Not important? Think again. The numerical convergence mentioned above seems almost certain to happen in the next two or four years—perhaps sooner, if gasoline prices skyrocket again as they did in 1981 or collapse like in 1986. (Remember? Unleaded premium at \$1.50 a gal. and the average for all grades and services, \$1.35 a gal., versus 98¢ for unleaded premium and 83¢ for the industry average?) Shock waves like that could upset the economic balances very quickly.

Look at it this way:

Recently published data indicate the C-store industry has approximately 80,000 stores, of which 58,000 sell gasoline. Groceries and other items bring in \$40-billion annually while gasoline accounts for \$32-billion.

In recent years, the C-store industry has been growing at a rate of roughly 7% to 8% per annum. So has the ratio of gasoline sales to grocery: Five years ago, grocery sales represented 65% of the total revenues and gasoline the other 35%. Today, the percentages are 55% for groceries and 45% for gasoline. If this growth pattern continues unabated through the early '90s, the C-store population should exceed 100,000 units by 1992. Of these, probably nine out of 10 will be selling gasoline. The dollar ratio gap between groceries and gasoline ought to shrink even further.

Bear in mind that the gasoline station universe has been declining steadily since 1972. It's expected to be down to 110,000 by the end of this year and who's to say that it

won't be down to 100,000 or less by 1992? Thus the equation zebra will have about 100,000 service stations selling groceries and 100,000 C-stores selling gasoline in competition with them.

Gasoline retailers have been adding groceries and convenience items to their station scenes for the last 10 to 15 years. It's now recognized that gasoline stations must have such ancillary businesses and products to stay alive in the future because they won't be able to make it on gasoline alone. It's estimated that at least 50% of the gasoline stations have some sort of foodstuffs near the pumps now and that many have come on stream with full-scale convenience stores.

This what makes these numbers intriguing:

The U.S. Census Bureau long ago established the precept that whichever segment generates the greatest cash flow—gasoline or groceries—will determine its retail business classification, i.e., whether it's a service station with groceries or a convenience store with gasoline.

As indicated above, the dollar ratio gap between gasoline and groceries is getting thinner all the time. Suppose the Middle East blows up. There'd be gasoline lines and \$1.50 (maybe even \$2.50) a gal. gasoline in no time. Almost immediately, more than half of the C-stores would be getting the lion's share of their cash flows from gasoline vis a vis groceries. They'd be reclassified as service stations immediately. The gasoline station population, as a result, could suddenly shoot up to 150,000 units and the C-store industry, conversely, could plummet to 50,000 or less.

Another factor: No one really believes that the OPEC members will shape up and fly straight before the year 2000—if ever. Production excesses mean soft prices indefinitely. Who knows, maybe \$10 crude oil again? Keep a weather eye on this burgeoning array of 50-50 deals that U.S. oil companies are working out with OPEC suppliers, a la Texaco and Saudi Arabia, Citgo and Venezuela, etc. What's going to happen if these foreign biggies start playing the same kind of discount and double-talk games in the retail marketplaces as they do in crude oil? With billions invested and a determination to stay in there regardless of the cost, they'll have a potential for eviscerating the marketplaces.

—by J. Richard Shaner

● MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
MAY				
U.S. City Avg.	\$0.971	\$0.911	\$0.955	\$1.105
Regions:				
Northeast	.975	.895	.940	1.106
North Central	.981	.937	.975	1.126
South	.957	.887	.937	1.092
West	.973	.922	.968	1.113

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	7/1/88	7/3/87
Gasoline (total)	209,725	230,969
Gasoline(unleaded) *	132,074	135,680
Jet Kerosine	38,813	38,016
Distillates	111,314	104,267
Residual	41,113	39,455

* Included in gasoline total

Source: American Petroleum Institute

Look Out Firestone, Goodyear: Here Come The Oil Companies!

Automotive service is coming back seriously in the oil business—and not in the conventional way, but in stronger forms than it has ever known. Some oil companies are taking steps that down the road could give U.S. service-center leaders like Firestone and Goodyear a serious run for their money.

Oil companies, with their money and real estate, can go just about as far in automotive service as they have the will to go. The key is how much attention top management chooses to give it—and there is growing evidence that upper echelons are getting deeply involved.

The awakening may have begun in 1984, the critical crossover year when average motorists began spending more on servicing their vehicles than on fueling them. Management saw potential growth in services that they couldn't see in motor fuel sales.

The question then becomes: How do you get a significant piece of the \$100-billion-a-year automotive-aftermarket business?

Oil company action

The combined activities of oil companies in developing automotive service are becoming more and more impressive. Some are expansions and refinements, and some are downright revolutions, at least for oil companies.

Amoco has just taken a "quantum leap" toward a marketwide chain of state-of-the-art automotive service centers

[NPN—July '88, p31]. The ambitious program appears capable of transforming a very good, conventional service-station chain into a major-league contender in automotive service.

BP America's chain of sophisticated standalone service centers in Ohio and western Pennsylvania is lately sporting its own parts house and machine shop. The chain is expanding to 112 this year, and when the number reaches 115-120 next year, the first phase will be over. By then, the company will be faced with a decision whether or not to expand marketwide to the East and South and perhaps even elsewhere. It's a fateful decision indeed.

Shell's Auto Care program, which in 1974 initiated the rebirth of automotive service in the oil industry, has 1,650 franchisees, representing 70% of the company's conventional service dealers. Shell would like to sign up all of them, although that may not be practical.

Sunoco has more than 300 Ultra Service Centers and is projecting 700 by the end of 1989.

Unocal's Protech program, with its own advanced training, has 629 stations signed up, representing 45% of eligible dealers. The company isn't trying to push participation too high for fear it might lower the service standards it has set. The company has also built nearly 50 "super-facilities," which are multi-bay service centers worthy of the name. [For a complete report on Unocal's dedication to automotive services and TBA, see NPN—July '87, p34.]

Exxon is reportedly drafting a car-care program benefiting from the extensive

By Mark Emond
Contributing Correspondent

experience the company gained in its pioneering diagnostic chain two decades ago.

Chevron has a car-care program nearly ready to spring. Mobil, which dropped its TBA (tires, batteries, and accessories) program in 1982, is experimenting with various car-care programs in the Northeast that could be a precursor to getting back into TBA.

These activities are accompanied by the development of essential support functions that recognize the special needs of modern auto service, such as advanced training, computerized technology, and warehouse distribution of parts. The scene is being set for a major upheaval in automotive servicing.

Why ProCare is pivotal

It may be that no other oil company will ever go into automotive service the way BP America did. Nobody has the market concentration in any state that BP's Sohio brand does in Ohio. But it can't be ruled out, especially if BP America decides to expand the ProCare operation beyond Ohio and perhaps even beyond its present marketing area.

BP America still has not unified its brands: BPOil in the East, Gulf in the South, Boron in a number of states surrounding Ohio, and others. The decision is expected to be made soon, at British Petroleum headquarters in London, where the fate of ProCare will probably also be decided.

ProCare centers, typically with five bays in line or six bays back to back, are stand-alones, but that does not mean they are not tied in with Sohio gasoline. Some 35-40% are right next door to Sohio stations.

Says Mike Bohdan, ProCare manager,

"There's an advantage to have the two businesses adjacent to each other. We don't hide the fact that they're both Sohio. We think it makes sense, because a big piece of what we're trying to do is to get the consumer to say: 'If these people can repair these vehicles as well as they do, they must be a good company.'"

But standalone management is essential, Bohdan believes. "You've got to be as efficient as possible, because that is what will save you in the future. So we felt we had to split the two businesses: build a high-volume, gasoline-only facility for selling the commodity product, and build a bigger standalone repair facility to do automotive repair efficiently. We have totally separate management teams for the two businesses."

ProCare hasn't lost sight of its petroleum environment. Says Bohdan, "It's hard to differentiate yourself in gasoline, but in automotive repair, there's a huge differentiation that can be made between you and other people in the industry. . . . We're here to enhance the image of our brand, relative to the other oil companies. So ProCare is really a gasoline strategy."

What happens after 1989? "There are a number of possibilities," says Bohdan. "We could go to the Southeast with our Gulf brand, and to the East Coast with our BP brand, and could just choose to go some place like St. Louis, where we don't market gasoline, and just operate as ProCare alone."

All eyes are on ProCare. It is the oil industry's biggest challenge to Goodyear and Firestone. If ProCare doesn't go beyond phase one, it's unlikely any oil company will ever go that way again. But if ProCare expands—and depending on how it expands—it could become a prototype that other oil



Sunoco has more than 300 franchised Ultra Service Center stations now and is projecting 700 by the end of 1989.

companies could emulate before long.

Shakeup among leaders

Goodyear and Firestone are the recognized current leaders among the automotive-service chains. General and Goodrich are fading.

Goodyear has about 5,000 outlets and is expanding aggressively. The company won't reveal its plans; tire companies are notorious for the secrecy in which they shroud their businesses. But trade sources say the target for this year was 400 more.

Of these 5,000, 971 are retail truck-tire centers and leased space at department stores. Some 1,100 are company-owned, 630 are franchised, and the remainder are run by independent dealers, jobbers and others. Trade sources think Goodyear may be moving away from company operations.

Firestone says it has 1,500 centers and won't talk about its plans, either. Although the company has expanded its chain strongly the past few years and is actively advertising its MasterCare service ("No big deal"), trade sources don't see much new building just now. They think the lull might only be temporary, the result of the company's takeover by Bridgestone, the huge Japanese tire manufacturer.

Outsiders don't know what Bridgestone's plans are for their newly-acquired service centers, and they suspect insiders might not



Goodyear has embarked on an ambitious program of expansion of its Certified Auto Service concept throughout its chain of service centers. With more than 4,000 outlets in the United States and other countries, the nation's top tire company lays claim to being the largest automotive service-center chain.



really know what those plans are, either.

The buyout has a number of implications for oil companies, aside from how it might change Firestone's service-center plans. In the wake, General Motors canceled its contract for the purchase of Firestone tires for its new cars. Firestone reportedly will not feel the brunt until 1989, which will give the company a little time to solve its impending oversupply problem.

Firestone will say only that the loss represents 20% of its North American tire production. Trade sources say it represents 4.5 to 5.5-million tires.

That's a lot of tires looking for a home. Firestone could try to increase its OE (original equipment) sales to Ford, Chrysler and perhaps other auto manufacturers. This is supremely competitive. More likely, tire specialists say, Firestone will try to drum up new business among oil companies and other large accounts.

Firestone may also decide to sell more tires under private labels, a business the company is said to have largely pulled out of "unceremoniously" in 1982. Says the marketing manager of an independent tire manufacturer, "I would guess Firestone might apologetically, on bended knees, go back to the private-brand customers they dumped a few years ago."

One such company is Unocal, which is now supplied mostly by Kelly-Springfield,

but also by Cooper.

Some oil-company TBA managers look for lower prices from Firestone for awhile. Says one manager, "Firestone is our predominant tire supplier. I think we're going to see some pretty attractive pricing the next year. They can't afford to idle production." If this happens, prices could get soft all around.

Nobody expects Firestone to get out of the service-center business. This means Goodyear and Firestone will play a role in the relative success of oil-company TBA efforts for many years to come.

What it takes

The original oil-company car-care packages have several salient features: concentration on certain services, advanced and certified training, cooperative advertising and company warranties. The objective is to improve service at conventional, though upgraded, service stations.

Because of the focused effort and quality controls, these kinds of repair facilities are superior to older conventional stations. But they are not typically in the Goodyear and Firestone league.

BP America's ProCare, on the other hand, is in their league and Amoco's revamped Certicare intends to be. Both programs are aimed at the total car, not just a limited selection of services.

What Exxon, Chevron, Mobil and perhaps others may be hatching remains to be seen, but trade talk indicates that their programs will likely resemble Shell's and Sunoco's program more than they do BP's and Amoco's.

Exxon, with its former experience in specialized car-care facilities, might surprise

everybody. The company declines to discuss its plans or the history of its car-care program.

Critical factors

Closer to the summit of automotive service, sophisticated programs absolutely require two ingredients, says ProCare manager Bohdan: "We believe there really are two keys: first is the quality of your technical training program; second is the availability of parts."

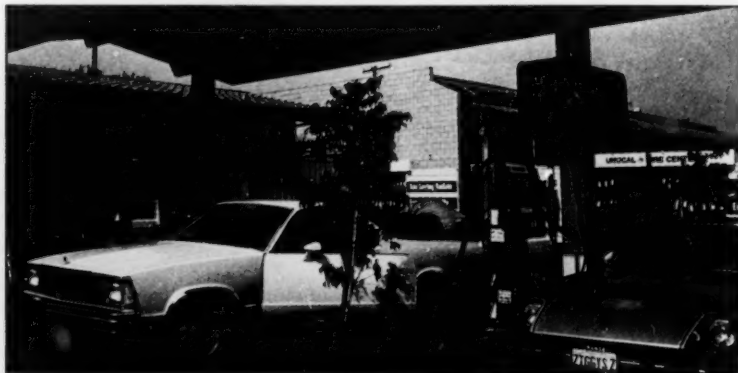
How oil companies plan to handle training is covered in detail later in this article. Regarding parts, BP America's solution consists of being a national warehouse distributor (WD). Recently the company has opened its own parts house and machine shop in Toledo to find out what the parts business is all about.

ProCare's warehouse distribution of parts is supplementary to the Atlas Supply program, itself a proprietary WD system shared by Amoco, BP America, Chevron, and Exxon. Atlas is a top-notch program, recognized as the best in the oil business, but it's not a complete line if the objective is to service the entire automobile.

Bohdan says, "The people who designed ProCare initially felt there could be a central facility where you could do things like recore radiators, rebuild transmissions—that sort of thing. The parts house worked out really nice to accommodate that."

"This parts house has become very big, very fast. We've just got this huge dedicated customer (ProCare). What I know now is that I can successfully run a parts house just because I can almost live on the ProCare business alone."

"The distribution of parts is the easy piece



While other companies have been experimenting with C-stores, car washes and the like, Unocal has never lost interest in car service, at least in its Western division. Unocal promotes dealer service professionalism with its Protech program, emphasizing technical training and certification of mechanics.

Atlas Automotive Training Plans Take a Turn — Maybe

of getting a customer's car fixed," he says. "That's an awful lot easier business than is actually fixing the car. I kind of like the profitability of that store and sometimes wonder why I don't get into the parts business and forget repairing the car."

Amoco is setting up a national parts buying network with Parts Plus/AAAD. This is a complete line and Certicare franchisees can enjoy WD prices.

Keys to training

The sophistication of oil-company automotive-service training programs is growing fast. Space restricts a detailed description of the programs completely, but an explanation of some highlights and characteristics will help show what's happening.

The National Institute for Automotive Service Excellence (ASE) is essentially a testing service that certifies mechanics in various automotive services, such as tuneup, brakes and front-end alignment. It's okay as far as it goes, but it doesn't go all the way.

"If you're ASE certified it doesn't mean you can fix a car," says BP America's Bohdan. "It's a basic, minimum qualification, and you have to take people well beyond the ASE level before you have somebody who can fix a car today."

Because of this, most oil companies provide their own parallel and supplementary programs. For example, Unocal doesn't

When Chevron disbanded its envied automotive training program two years ago for budgetary reasons, Atlas stepped in to provide it for its four licensees—Amoco, BP America, Chevron and Exxon [NPN—Oct. '87, p60]. But after a single test in Baltimore, Atlas has decided to farm the training out to vendors.

The decision isn't set in concrete yet, though, because some licensees may still want Atlas to run a training program of its own.

Walt Windeknecht, Atlas president, says the trial program didn't get enough dealer response. He explains, "Everybody talks about the need for training, but when it comes time to sign on the bottom line, the numbers don't show up."

Some licensee people think Atlas tried to do too much on its own, failing to get the oil companies to help drum up interest in the new program. Says one, "At the time dealers had to respond to the solicitation,

it was icy and snowy in Maryland. The dealers weren't familiar with automotive-service training because they hadn't had any Without the oil companies behind it, it isn't going to be sold right."

Another push by the licensees is reportedly going to be made for Atlas training.

Windeknecht feels training by vendors is consistent with other Atlas programs. "What we've done is treat training as a product, like any other product that carries the Atlas trademark. We don't manufacture any of the products. We work with the manufacturers of the product and assure that the product meets the needs of our licensees."

The primary vendor Atlas is working with is RDT, Houston, also known as the Universal Technical Institute, Windeknecht says.

A training program by Atlas itself might still materialize, but for now at least, the required training will be done by outside specialists.

even recognize ASE, choosing to do all of its training and certification itself. Amoco's new Certicare starts with ASE certification but goes significantly beyond that. BP America creates curricula and farms out training to Autotech, Minneapolis, a specialized trade school, with linkage agreements to 14 local technical colleges.

There are many more variations on these themes.

The latest training plan to be announced by an oil company is Amoco's. It includes computerized diagnostic assistance. Beyond ASE certification, Amoco has worked with Autotech to set up its own "Certitech," described as being "postgraduate." Monthly training sessions are offered free to franchisees.

Diagnostic support consists principally of a "Certinet" computer system which links mechanics to Autotech's technical information network. This gives access to 500,000 pages of technical references and provides step-by-step assistance in diagnosis and servicing.

After more than two years of experimentation, Shell adopted earlier this year a program it thinks is better, according to Nancy Curry, Auto Care program manager. It's a "diagnostic hotline" to Automotive Data Systems (ADT), Huntington Beach, Calif. Using an 800 telephone number, mechanics can get personal guidance without having their own computer and the training to run one. Coverage includes after-market equipment in addition to original factory.

This is supplementary to Shell's training program, often using outside companies,

and mandatory ASE testing and accreditation in the services the company specializes in.

Chevron USA, with a long history of commitment to automotive service, is now developing a car-care program and is working with Atlas Supply to develop a training program to replace the one that was cut last year for budgetary reasons [NPN—Oct. '87, p60].

Says Chevron TBA manager Mike Mavarakis, "The dealer doing backroom business is having a tremendous problem today getting the proper training. You've got to help him or he's not going to be in the running."

It's clear then that some oil companies have a good fix on what must be done to compete in automotive service. Slow to start, the steamroller is beginning to pick up speed.

Dedicated TBA salesmen

The commitment of an oil company to TBA is manifest in the organization of a sales force dedicated entirely to those products. The history of TBA in the oil industry abounds with cases of TBA suffering in the hands of salesmen devoting almost all of their time to gasoline.

Two eminent examples of companies that have assigned a separate sales force to TBA are Amoco and Exxon, and both have reported good results. Neither company adopted the program to see whether it would work, but rather to make it work, another demonstration of their commitment to the business.

The dedicated sales people are on commission, usually with a base, profiting in



Another tire giant with a big stake in auto service is Firestone, which operates 1,500 MasterCare service centers. With the takeover by Bridgestone, the program could expand again.

proportion to their own success. If they weren't doing well, they wouldn't be able to hang around long. Exxon has been surprised by how little turnover there has been in the TBA sales force, a mark of success.

The hiring of dedicated TBA people impresses vendors. Jim Taylor, manager of oil-company sales for Cooper Tire, says, "As far as we at Cooper are concerned, a dedicated TBA sales force throws up a flag that the oil company is committed to the TBA business, that it is part of their overall operation and that they want to increase that area of their business. We are a major supplier of the Atlas brand and we've seen nice gains."

The Atlas companies are some of the best in the TBA business and one company frequently adopts a program that works for the

others. Amoco was first with a dedicated sales force in TBA and Exxon followed.

Chevron and BP America could join the parade. Chevron, with its combined Chevron/Gulf network, could go that way tomorrow with management approval. BP America might have a bit of trouble with its mix of BP, Gulf and private-brand networks.

Shell has a "territory team" program that seems to work in TBA, but perhaps not as well as a dedicated force. In each 35-40 station territory, sales representatives have full responsibility for all the activity that goes on there, including TBA. Success of such a system, from the TBA point of view, depends on watching priorities very carefully. Many such programs have failed to do so.

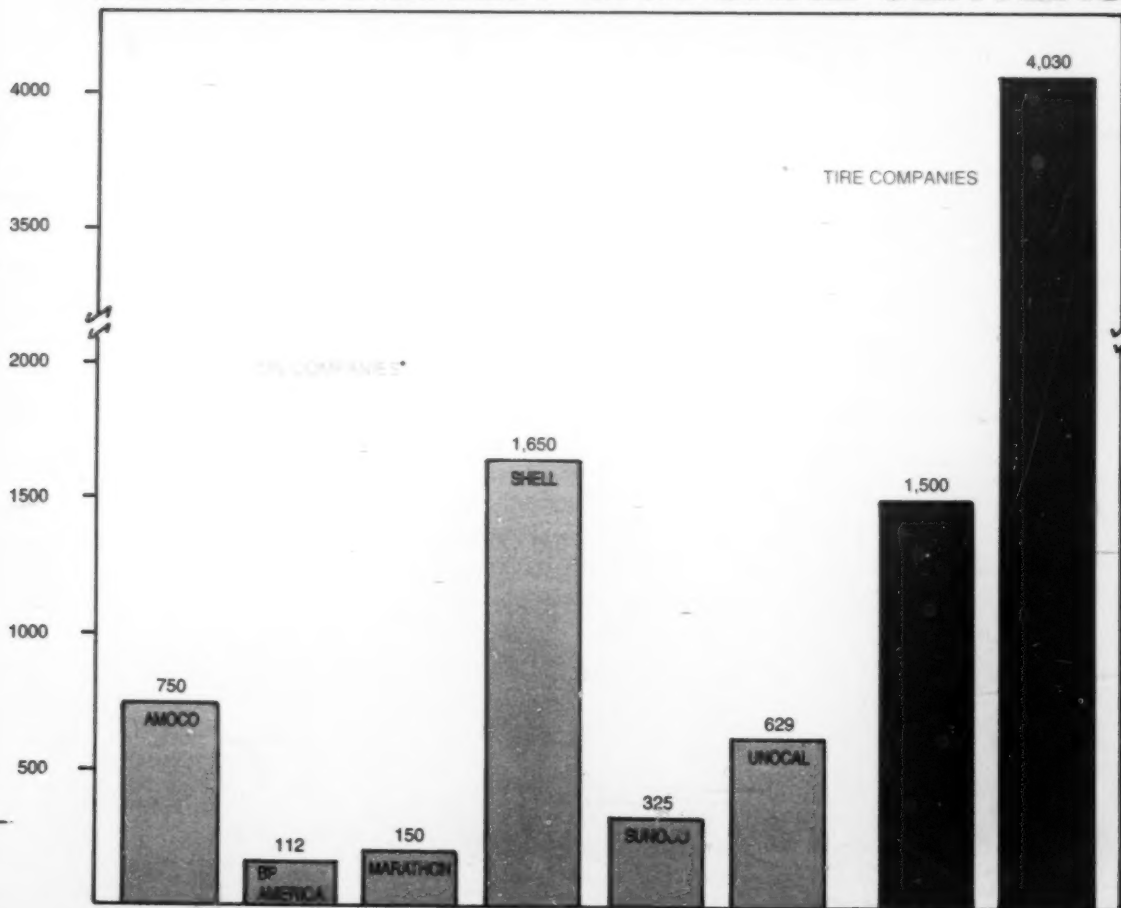
Former Shell TBF manager (tires, bat-

teries, filters and chemicals) Bob Myrick was impressed by the dedicated TBA sales force concept. "I think it's kind of a neat idea to be honest with you," he said shortly after Amoco and Exxon adopted such programs.

"I think it puts quite an increased focus on the TBA activity, whereas if you leave it with a territory team, the territory sales reps have many, many activities. Everything gets prioritized so you're constantly competing for the rep's time. I think that when you put it in the hands of a focused rep who is totally responsible for TBA, there's increased emphasis there."

The spread of dedicated TBA sales forces seems likely to go along with the success of oil companies in TBA, if that is their destiny. At any rate, the dedicated sales force concept

MAJOR COMPANY CAR CARE CENTERS



* Figures represent only franchise or "image" car care programs, not all traditional auto service outlets.

appears to be a winner.

TBA for jobbers?

Petroleum and TBA jobbers and distributors have suffered, in some cases, because of oil-company withdrawals from TBA programs, but also because of radical changes in the service station business, including a shrinking population.

TBA has never been easy, and in some respects it's now harder. TBA involves a long line of complicated products and a variety of competitors and each line is a tough nut to crack. Pricing, merchandising and distribution are often more complicated than anything involved with petroleum.

Gary Shoop, former Mobil TBA distributor, is still in the TBA business, although he says he hasn't had as good a year since Mobil canceled the program in 1982. This is despite the fact that he has acquired five other former Mobil TBA distributorships in the Los Angeles area whose owners got old or lost interest.

"Opportunities are moving away from service stations and toward independent garages," he observes. This is likely happening all over the country and there's no easy solution for it.

Another reason for the decline in service-station TBA business for some distributors is a large increase in the number of foreign-origin dealers and their clannishness, Shoop says. "There are probably 300 Korean dealers in the Los Angeles area," he explains, "and they buy only from Korean TBA distributors." He thinks maybe he should hire a Korean salesman.

Sunoco, which has both kinds of TBA jobbers, those who handle TBA exclusively and those who also sell petroleum products, says it's a good business for the jobbers, but "it's not an easy one. The good ones are making a lot of money, the bad ones are

struggling."

If oil companies begin adding TBA programs, some new opportunities will open up for oil jobbers.

To the extent that oil companies initiate or expand warehouse distribution, such as BP America and Amoco, jobbers will be left in the cold. However, there's still plenty of room for some conventional jobbers with TBA.

Jobbers supplied by oil companies that market exclusively through jobbers, such as Phillips and Citgo, stand to profit by growing management interest in TBA.

TBA: how important?

It isn't necessarily clear why a TBA program is considered vital to an oil company. A few years ago there was an industry-wide debate on whether TBA was profitable for an oil company. Some companies opted to get out.

The principal dropouts were Mobil, Conoco, Champlin, Fina, Texaco, Arco and Ashland, plus two smaller companies, Quaker State and Pennzoil, which handled tires.

There are special circumstances behind some of these decisions, mostly having to do with buyouts by non-oil companies, but in most cases it appeared management wasn't interested, for whatever reasons, in the TBA concept.

Says Chevron's Mavrakis, "There was a helluva lot of argument about 10 years ago about whether or not TBA was profitable. Those of us that stayed are making it happen."

By now it has become evident in a number of cases that TBA, even if perhaps not as profitable as some would like, is often the glue that holds the company's station network together.

Gary Shoop, president of Shoop & Luther, Torrance, Calif., and former Mobil TBA distributor, says, "Mobil stations were considerably weakened by the TBA pullout. They don't merchandise anymore, the bays are dead or dying, the looks have turned seedy. Company management doesn't know about such results, on which you can't put an economic value. Management doesn't realize how much a TBA program does for the station network."

There are more considerations than profitability. Chuck Chace, Sunoco's TBA manager, says, "A \$50-million-a-year department (his) has little bearing on a corporation with in excess of a billion dollars a year (Sun). We're here because we support the Sunoco brand and add some consistency to image and provide a service to the dealer. We make a lot of money compared to a small



Starting its Auto Care program in 1974, Shell was the pioneering oil company in franchised car service. Shell still has the most franchise outlets with 1,650.

business, but a little money for an oil company."

What's ahead

Expansion of car-care programs by oil companies is the most visible demonstration of their growing interest in the automotive aftermarket, but there is also a broader reawakening of interest in TBA generally.

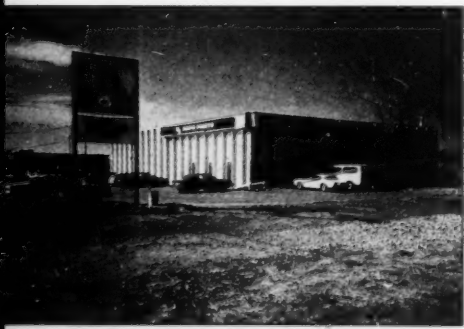
The International Oil-Industry TBA Group, which some thought was threatened with extinction a few years ago, is showing signs of renewed strength. This is where the oil-company TBA people and their suppliers get together and the group's health reflects the health of TBA in the oil business.

Sunoco's Chace notes, "There are more supplying companies represented (in the group) than there used to be and more supplier people. And there are more oil company people than there used to be, though not representing additional oil companies."

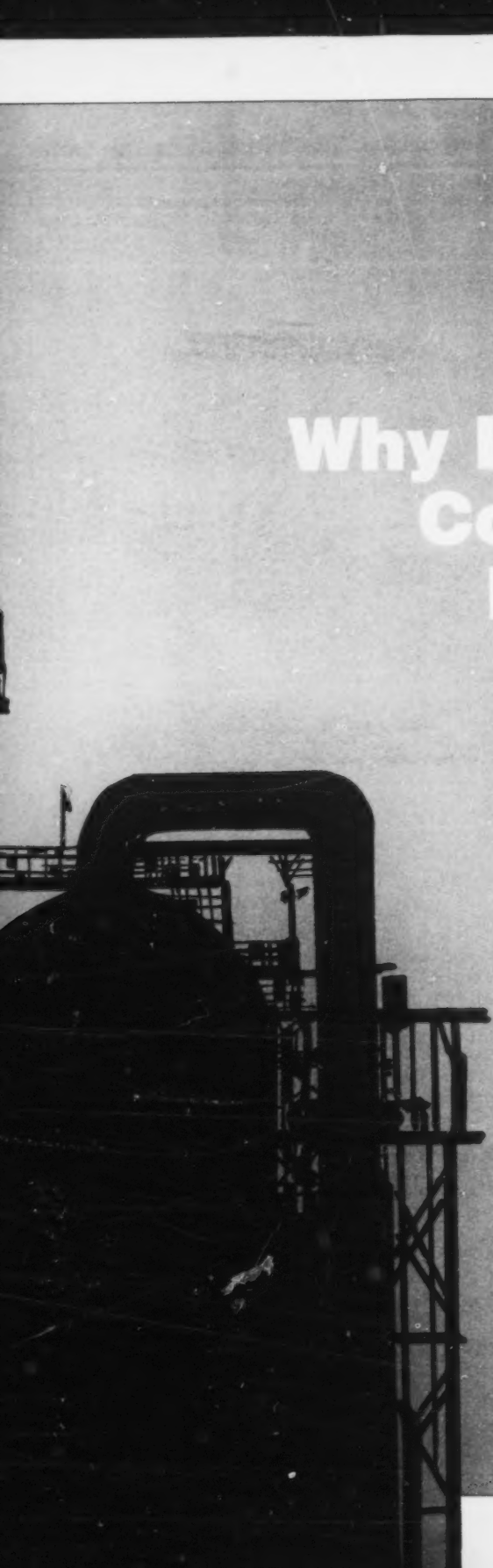
Gene McGinty, Citgo TBA manager and 1987 chairman of the group, was one of several oil-company and supplier people who recognized at the group's convention in San Diego last year that TBA was on a comeback in the oil business. He says now, "It's clearer than ever that the service segment of the market, which lacks capable facilities, has drawn the attention of management... We have seen the pendulum swing. We're going full circle again."

Jim Taylor, manager of oil-company sales for Cooper Tire, says, "We have seen over the last two years a lot more emphasis put on TBA at the oil companies. They are doing more training for their dealer networks, providing more promotional materials, and just paying a lot more attention to the TBA business."

Car-care programs—such as ProCare, Certicare, Auto Care, Ultra, Protech and others in the making—are the showpieces of this rebirth.



In addition to its standalone ProCare outlets, BP America has opened a fully-equipped parts house, including a machine shop, in Toledo.



Why Low Refinery Count Is Not A Major Threat

Although the number of operable oil refineries in the U.S. sagged to 213 in 1987—perhaps the lowest population count in this century—there is no reason to be concerned about the industry's processing capabilities or tomorrow's supplies.

Even with six fewer refineries than in 1986, the operable capacity of the 213 manufacturing plants stood at 15,915,418 b/d last Dec. 31, up 349,905 b/d over the preceding New Year's Eve—which, in turn, was up 106,565 b/d over 1985. By way of contrast, domestic product demand averaged 16.7-million b/d in 1987, but with product imports averaging 2-million b/d, obviously there were no problems.

Data compiled by the federal government's Energy Information Administration indicated the refining industry still had an excess capacity capability approaching 3-million b/d last Dec. 31. Some of this was idle or shutdown but all of it was considered reactivable within 90 days.

Prior to 1986, the refining industry had gone through five consecutive years of decline, not by accident but by design. In 1981, for example, oil refiners found themselves in a downward consumption spiral with a surplus capacity of 5.8-million b/d on their hands. They did what had to be done—stolidly mothballing and/or dismantling smaller and older units by the dozens so that by last Dec. 31 the average surplus had been whittled to 2.6-million b/d.

There are two sets of figures to bear in mind in evaluating the refining industry's status. One set is the

By J. Richard Shaner
Executive Editor

average data for the full year, obtained by taking the 12 monthly reports and annualizing them. The other is the actual operable capacity on a given date, in this case Jan. 1 of each year. The two sets of numbers vary somewhat and this leads to a certain amount of confusion about which is which, (see graph on right).

In substance, however, the refining industry was in good shape at the end of 1987. The surplus of 2.9-million b/d was not considered to be excessive, even though there are some who would like to see the surplus whacked down by another 1-million b/d. This would enable the "surviving" plants to improve their utilization rates, meaning optimum efficiencies and higher profits for the refining industry.

For example, most refineries are designed for greatest efficiency and profitability when their utilization rates are in the 85-90% range. The industry utilization rate in 1987 was 83.1%, up only two-tenths of a per cent over 1986 but much better by far than the doleful 68.5% registered in 1981. In the 1960s and early 1970s, utilization rates as high as 90-92% were commonplace. A handful of U.S. refineries are doing that well right now.

Getting back to the population count, the current total of 213 refineries is the lowest on record—except, of course, for the time in the late 1800s when the numbers were moving up from ground zero. American Petroleum Institute's Petroleum Facts & Figures, published in 1959 and covering the first 100 years of oil shows there were as many as 373 refineries in 1920, the earliest year for which it had numbers. The peak year seems to be 1936 when there were 632 refineries in operation—most of them absolute "tea kettles" by today's standards.

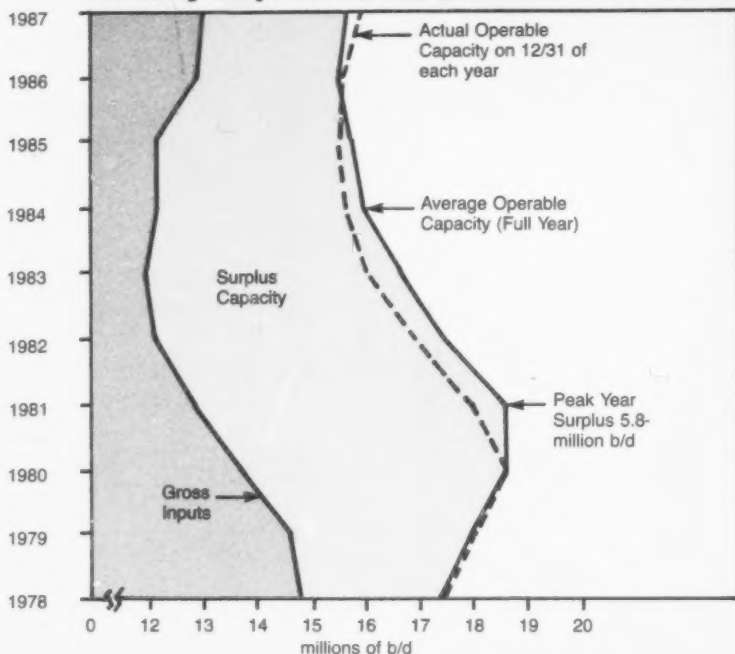
The EIA, in routine fashion, also reported that nine refineries were shut down in 1987, four were reactivated and one was merged with another in California. This gave the industry a net loss of six plants for the year. Except for one, all of the shutdowns ranged from 11 to 39 years in age.

Here's a readout on the losers and winners in 1987.

Closings:

- Beacon Oil Co., Hanford, Calif., 17,300 b/d of crude distillation, 11,380 b/d of downstream capacity; age: 27 years.
- Clark Oil & Refining Co., Mt. Airy, La., 27,000 b/d downstream; age: 39.
- Flying J Petroleum, Williston, N.D., 4,600 b/d crude, 5,450 b/d downstream; age: 32.
- Lakeside Refining Co., Kalamazoo, Mich., 5,600 b/d crude; age: 39.

Refinery Surpluses: The Silhouette's The Same



Source: Energy Information Administration, Petroleum Supply Annual 1987, Volume 1, published May 1988.

- MacMillan Petroleum Co., Nophlet, Ark., 5,800 b/d crude, 2,700 b/d downstream; age: 39.
- Sabre Refining Co., Bakersfield, Calif., 10,000 b/d crude; age: 16.
- Silver Eagle Oil Co., La Barge, Wyo., 3,000 b/d crude; age: 13.
- Virginia Oil & Refining, Jonesville, Va., 1,000 b/d crude; age: 2.
- Western Oil & Refining, Long Beach, Calif., 19,200 b/d crude; age: 11.

Totals: crude 66,500 b/d; downstream 46,530 b/d.

Reactivations:

- Donna Refinery Partners, Donna, Texas, 4,750 b/d crude.

- GAMXX Energy Corp., Theodore, Ala., 27,000 b/d crude; 10,000 b/d downstream.
- Petro Source Resources, Vicksburg, Miss., 6,000 b/d crude, 7,900 b/d downstream.
- Trans America Refining Co., Good Hope, La., 300,000 b/d crude, 520,000 b/d downstream.

Totals: Crude 337,750 b/d; downstream 537,900 b/d.

Reclassified:

- Paramount Petroleum, Bakersfield, Calif., 20,500 b/d crude, 34,800 downstream. This plant was sold to Texaco Refining & Marketing and merged with Texaco's Bakersfield refinery.

N.Y.

Refinery Nose Count '78-'87: Low, But No Worries

In millions of b/d

Year	No. of Refing.	Util. Rate	Gross Inputs	Oper. Cap.	Avg. Actual Capacity 12/31	Avg. Surplus (Full yr.)	Actual Surplus 12/31
1987	213	83.1%	13.0	15.6	15.9	2.6	2.9
1986	219	82.9	12.8	15.5	15.6	2.7	2.8
1985	216	77.6	12.2	15.7	15.5	3.5	3.3
1984	223	76.2	12.2	16.0	15.7	3.8	3.5
1983	247	71.7	11.9	16.7	16.1	4.8	4.2
1982	258	69.8	12.2	17.4	16.9	5.2	4.7
1981	301	68.5	12.8	18.6	17.9	5.8	5.1
1980	324	75.0	13.7	18.6	18.6	4.9	4.9
1979	319	84.0	14.6	18.0	18.0	3.1	3.1